



Minutes of the  
Board of Minerals and Environment Meeting  
Matthew Environmental Education and Training Center  
523 East Capitol Avenue  
Pierre, South Dakota

10:00 a.m. CDT  
April 21, 2005

CALL TO ORDER AND ROLL CALL: Chairman Richard Sweetman called the meeting to order. Secretary Kathy Johnson noted that a quorum was present.

BOARD MEMBERS PRESENT: Richard Sweetman, Lee McCahren, Kathy Johnson, Mike DeMersseman, Wilbert Blumhardt, and Linda Hilde.

BOARD MEMBERS ABSENT: Pat Healy, Chuck Monson, and Brian Radke.

OTHERS PRESENT: See attached attendance sheet.

APPROVAL OF MINUTES FROM MARCH 17, 2005, MEETING: Motion by DeMersseman, seconded by Johnson, to approve the minutes from the March 17, 2005, Board of Minerals and Environment meeting. Motion carried.

OIL AND GAS HEARING FOR CASE NO. 3-2005, LUFF EXPLORATION COMPANY: Chairman Sweetman turned the gavel over to Mike DeMersseman, whom he had appointed as hearing chairman.

Mr. DeMersseman opened the hearing at 10:40 a.m. CDT.

John Morrison, attorney from Bismarck, ND, represented Luff Exploration Company. Brett Koenecke, attorney from Pierre, appeared as local counsel for Luff Exploration Company.

Roxanne Giedd, deputy attorney general, represented the Department of Environment and Natural Resources.

Case No. 3-2005 is the application of Luff Exploration Company to amend the applicable orders for the State Line Field so as to allow a second horizontal well to be drilled in the Red River "B" Pool at any location not closer than 500 feet to the boundary of a spacing unit described as all of Section 20 and the N  $\frac{1}{2}$  of Section 29, T23N, R5E, Black Hills Meridian, Harding County, South Dakota.

Richard George, manager of engineering, was administered the oath and testified on behalf of Luff Exploration Company.

Exhibits offered and admitted into the record for Luff Exploration Company:

Exhibit 1- General locator map  
Exhibit 2 - Original spacing unit and proposed spacing units  
Exhibit 3 - Explanation of Luff Exploration Company, is requesting  
Exhibit 4 - Ownership - Ferkingstad 33-20 Spacing Unit  
Exhibit 5 - Structure map, Red River "B" Zone depth, State Line field  
Exhibit 6 - Cumulative oil production, Ferkingstad 33-20, "B" vertical - Stateline Exhibit  
7 - Water cut curve, Ferkingstad 33-20 "B" Zone, vertical - Stateline Exhibit 8 -  
Cumulative oil production, Ferkingstad 33-20, "B" horizontal - Stateline Exhibit 9 - Water  
cut curve, Ferkingstad 33-20, "B" horizontal - Stateline  
Exhibit 10 - Spacing units/secondary recovery units larger than 320 acres with 500 ft. set-backs  
Exhibit 11- Summary of Luff 's request, Oil & Gas Case No. 3-2005

Fred Steece, DENR oil and gas supervisor, was administered the oath and testified on behalf of the Department of Environment and Natural Resources.

Notice of the hearing was published on March 9 and 16, 2005, in the Black Hills Pioneer, the Pierre Capital Journal, the Rapid City Journal, and the Nation's Center News. Affidavits of Publication are on file in the Department of Environment and Natural Resources Rapid City office.

The department received no petitions to intervene in this matter.

Following the testimony, Mr. DeMersseman requested board action.

Motion by Johnson, seconded by Blumhardt, to approve Case No. 3-2005, Luff Exploration Company. Motion carried.

Motion by Sweetman, seconded by Hilde, to adopt the Findings of Fact, Conclusions of Law, and Order, and to authorize Mr. DeMersseman to execute the Order. Motion carried.

FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER IN THE MATTER OF CARLSON VS. RASCHKE, DOBESH, AND SERB: Ms. Giedd stated that she prepared the Findings of Fact, Conclusions of Law and Order denying Carlson's petition. Ms. Giedd sent the Findings of Fact, Conclusions of Law and Order to all of the parties, and has received no response or objections from any of the parties.

Motion by DeMersseman, seconded by Hilde, to adopt the Findings of Fact, Conclusions of Law and Order in the matter of Carlson vs. Raschke, Dobesh, and Serr, and to authorize Chairman Sweetman to execute the Order. Motion carried.

SURFACE MINING ISSUES: Lee McCahren administered the oath to Eric Holm, DENR Minerals and Mining Program, who testified regarding a transfer of license and liability and releases of liability (see attached matrix sheet).

Transfer of License and Liability: Motion by Blumhardt, seconded by Hilde, to transfer the license and liability for one site in Clay County and one site in Yankton County from Rick Nelsen, Vermillion, SD, Mine License No. 83-250 to Rodney Nelsen, Vermillion, SD, Mine License No. 83-250. Motion carried.

Releases of Liability: Motion by Johnson, seconded by DeMersseman, to release liability for Asphalt Paving & Materials Company, Huron, SD, Mine License No. 83-159, one site in Jerauld County and one site in Beadle County; release liability for Jennings Construction Company, Bancroft, SD, Mine License No. 83-192, one site in Clark County; and release liability for Hughes County Highway Department, Pierre, SD, Mine License No. 83-31, two sites in Hughes County. Motion carried.

NEXT BOARD MEETING: The next meeting is May 19, 2005, at the Matthew Training Center in Pierre. The June 15-16, 2005, board meeting will be held in the Black Hills.

ADJOURNMENT: Chairman Sweetman declared the meeting adjourned.

Pat Healy      5/19/05  
Secretary      Date

See M. M. Johnson      5/19/05  
Witness      Date

# South Dakota Board of Minerals & Environment

*April 21, 2005*

<u>License/Permit Holder</u>	<u>License/ Permit</u>	<u>Site No.</u>	<u>Surety Amt.</u>	<u>Surety No.</u>	<u>Surety Company/Bank</u>	<u>DENR Recommendation</u>
------------------------------	----------------------------	-----------------	--------------------	-------------------	----------------------------	----------------------------

**Transfer of License and Liability:**

Rick Nelsen Vermillion, SD	83-250		\$1,000 \$500	7560031968 7560034280	Community First State Bank, Vermillion	Transfer license and liability.
		<b>250001</b>			W1/2 SE1/4 Section 29; T93N-R51W, Clay County	
		<b>250002</b>			NW1/4 SW1/4 Section 13; T94N-R54W, Yankton County	

Transfer to:

Rodney Nelsen Vermillion, SD	83-250		\$1,500		First National Bank, Pierre	
---------------------------------	--------	--	---------	--	-----------------------------	--

**Releases of Liability:**

Asphalt Paving & Materials Company Huron, SD	83-159		\$20,000	55-96750	United Fire & Casualty Company	Release liability.
		<b>159008</b>			E1/2 Section 14; T107N-R66W, Jerauld County	
		<b>159017</b>			OL 7 & 8 of Dahlgren's Replat Section 11; T110N-R62W, Beadle County	
Jennings Construction Company Bancroft, SD	83-192		\$10,000	RC-0006	Sun Surety Insurance Company	Release liability.
		<b>192002</b>			SE1/4 Section 36; T113N-R56W, Clark County	

## South Dakota Board of Minerals & Environment

April 21, 2005

<u>License/Permit Holder</u>	<u>License/ Permit</u>	<u>Site No.</u>	<u>Surety Amt.</u>	<u>Surety No.</u>	<u>Surety Company/Bank</u>	<u>DENR Recommendation</u>
------------------------------	----------------------------	-----------------	--------------------	-------------------	----------------------------	----------------------------

**Releases of Liability:**

Hughes County Highway  
Department  
Pierre, SD

83-31

EXEMPT

NA

NA

Release liability.

**31009** N1/2 Section 16; T112N-R74W, Hughes County

**31014** N1/2 Section 35; T111N-R78W, Hughes County

